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VIA HAND DELIVERY

August 23, 2000

Mr. Paul Peronard
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Denver
Salt Lake City
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Re: Libby, Montana Asbestos Site

Dear Mr. Peronard:

Yesterday we told Matt Cohn about our problems related to the relocation of Millwork West and how we were finalizing them in order to keep the project moving. Mr. Cohn, without apparent authority from the OSC, demanded we cease work on the construction for the temporary relocation buildings, even though EPA approval for this work is not required by the Work Plan or the UAO. This delay will cost us (and thus EPA) an enormous amount in terms of time and money.

Despite our belief that approval is unnecessary, this letter is written to seek approval for the relocation of Millwork West in accord with the August 22, 2000 telephone conversation between Katheryn Coggon of my office and Matt Cohn of EPA. Attached is a draft letter agreement dated August 22, 2000 between W.R. Grace and Universal Land Corporation for the construction of temporary buildings on property owned by Universal for the use by Millwork West during Removal Action activities at the Export Plant in Libby, Montana. We believe the "rent" being charged by Universal far exceeds that which is reasonable or required under the National Contingency Plan but that Grace has no choice but to

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accept the terms of the agreement with Universal or face potential noncompliance with other terms of EPA's Unilateral Order.

The situation in which we find ourselves was caused by EPA's inappropriate inclusion in the UAO of approval authority for parties other than the OSC. Grace has repeatedly objected to the approval authority for third parties, but EPA insisted on keeping the approval authority in Section 2.1 of the Scope of Work which specifically requires Grace to provide a temporary relocation of the tenant Millwork West that is agreed to by EPA, the City of Libby (landowner), and the current tenants (Millwork West). As Grace has stated before, this is a provision with which it is nearly impossible to comply. The tenant had rejected six different relocation proposals before agreeing to accept the temporary relocation at the property owned by Universal. The tenant made extreme demands in the design, construction, size, and location of the buildings such that a premium fee attached to the cost of constructing the buildings (see attached letter agreement between Grace and Millwork West dated August 10, 2000, and construction contract between Grace and The Building Company). The buildings will cost in excess of \$200,000 to construct. This premium cost is further amplified by the demand from Universal that Grace give them one of the buildings rather than simply charging the previously negotiated rental price of \$1000 per month.

According to the UAO, expenses to be covered by Grace associated with the temporary relocation were to include only rent in excess of the tenant's current payment and other costs in accordance with the temporary relocation requirements of 44 CFR § 220. Obviously, a cost exceeding \$200,000 to construct the temporary buildings, at least half of which cannot be recouped at all, is well outside the expenses addressed in the UAO and completely inconsistent with the NCP.

At Mr. Cohn's direction, we have ceased all work at the Universal property pending approval from EPA of the terms of the relocation, which includes the letter agreement with Millwork West specifying some details of the buildings, landscaping, and other provisions; the contract with The Building Company specifying the cost and time frame for completing the construction of the buildings; and the letter agreement with Universal Land Corporation specifying the terms for use of the property. The Building Company was prepared to begin

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construction on Tuesday, August 22, 2000, when Mr. Cohn indicated to Ms. Coggon that any work started on the construction would be considered in violation of the Unilateral Order until such time as EPA actually approved such work. Although Grace had been in constant communication with you and other technical representatives from EPA regarding the relocation issues and costs, Mr. Cohn's directive on August 22, 2000 was the first time that Grace was informed by EPA that it believed that the Unilateral Order required written approval of the specific cost terms associated with the relocation.

To the extent EPA's approval of the construction is delayed at all, there is the possibility that The Building Company will return to Polson, Montana (its home base) and incur the additional expense of re-mobilizing later and that the schedule for completing the building construction and subsequent move of Millwork West to the Universal property will be impacted. To the extent EPA does not approve the relocation as detailed in the attachments, Grace respectfully requests that EPA specify how Grace must proceed in order to comply with the Unilateral Order and Work Plan. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Ken Brown" with a stylized flourish underneath.

Kenneth W. Lund

cc: Carol Browner, US EPA
Max Dodson, US EPA
Matthew Cohn, US EPA
David Cleary, WR Grace
Bob Marriam, WR Grace
Karen Brown, WR Grace